Sales Volume Size

Income Statement Data	Sales Under $1,000,000	$1,000,000 To $2,999,999	Sales $3,000,000 Or More
Number of Outlets	25	166	65
Net Sales Volume	$803,022	$1,812,320	$5,428,319
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+13.05%	+1.86%	+4.74%
Gross Sales	101.26%	102.19%	103.07%
Less: Total Deductions	1.26	2.19	3.07
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	65.21	71.77	70.10
Margin Before Purchase Rebate or Patronage Dividend	34.79	28.23	29.90
Purchase Rebate or Patronage Dividend	1.25	.33	.43
Margin After Purchase Rebate or Patronage Dividend	36.04	28.56	30.33
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	3.27	1.74	3.04
Salaries/Wages — Other Employees	12.51	10.67	9.68
Federal and State Payroll Taxes	1.24	1.30	1.05
Group Insurance	.24	.47	.54
Benefit Plans	.75	.48	1.04
Total Payroll and Other Employee Expense	18.01	14.66	15.35
Occupancy Expense			
Heat, Light, Power, Water	1.33	.81	.52
Building Repairs and Maintenance	.09	.17	.18
Rent or Ownership in Real Estate**	4.03	2.18	1.65
Total Occupancy Expense	5.45	3.16	2.35
Other Costs of Doing Business			
Office Supplies and Postage	.31	.37	.50
Advertising and Promotion	2.42	1.89	1.95
Donations	.04	.06	.04
Telephone and Telegraph	.37	.22	.29
Bad Debts	.19	.39	.36
Credit Card Expense (Bank Charges)	.15	.09	.21
Delivery (Other Than Wages)	.66	.61	.50
Leasing Expenses (Non-Occupancy)	.15	.10	.44
Insurance (Other Than Real Estate and Group)	.80	.35	.37
Taxes (Other Than Real Estate and Payroll)	.53	.35	.24
Interest (Other Than Mortgages)	1.38	2.13	.66
Depreciation (Other than Real Estate)	.74	.74	.50
Store and Shop Supplies	.33	.28	.18
Legal and Accounting	.37	.25	.21
Computer Services and Expenses (Other Than Wages)	.13	.11	.13
Dues and Subscriptions	.06	.04	.05
Travel, Buying, Entertainment	.14	.21	.23
Miscellaneous Services (Laundry, Disposal, etc.)	.08	.05	.22
Unclassified Expenses	1.02	1.57	.69
Total Other Costs of Doing Business	9.87	9.81	7.77
Total Operating Expenses	33.33	27.63	25.47
Operating Profit or Loss	2.71	.93	4.86
Other Income	.95	1.52	1.07
Net Operating Profit or Loss (Before Income Taxes)	3.66	2.45	5.93

*As reported to us by The Bottom Line contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Sales Volume Size

Balance Sheet Data	Sales Under $1,000,000	$1,000,000 To $2,999,999	Sales $3,000,000 Or More
Total Dollar Assets	$375,270	$781,109	$1,940,891
		% of Total Assets	
Assets			
Cash On Hand and In Bank	5.81	3.59	3.10
Notes and Installment Contracts Receivable	1.30	.94	2.05
Accounts Receivable	10.37	15.78	25.83
Merchandise Inventory (End of Year)	58.43	47.43	39.44
Other Current Assets	2.03	1.66	3.93
Total Current Assets	77.94	69.40	74.35
Stocks and Bonds	2.41	1.69	1.59
Real Estate (Not Used in Bus.)	—	.65	.75
Other Investments	7.51	9.25	2.51
Total Investments	9.92	11.59	4.85
Land (Owned and Used in Bus.)	1.19	2.28	4.28
Buildings (Owned and Used in Bus. Less Depre.)	2.79	7.84	7.42
Leasehold Improvements (Less Amortization Allowance)	.82	1.10	2.61
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	2.01	3.75	4.44
Delivery Equipment (Owned and Used in Bus. Less Depre.)	1.19	1.53	1.29
Other Fixed Assets	4.14	2.51	.76
Total Fixed Assets	12.14	19.01	20.80
Total Assets	100.00%	100.00%	100.00%
Liabilities And Net Worth			
Accounts Payable	10.15	10.75	16.28
Current Portion of Notes Payable	4.29	6.06	6.27
Accrued Payroll Taxes	.41	.28	.62
Accrued Other Taxes	1.91	1.19	5.57
Other Accrued Expenses	1.47	2.00	4.29
Other Current Liabilities	4.07	2.40	3.79
Total Current Liabilities	22.30	22.68	36.82
Notes Due Partners/Officers	5.90	1.83	2.18
Mortgage Payable	—	2.56	2.15
Long Term Debt	20.08	17.86	8.54
Other Long Term Liabilities	.03	.26	.33
Total Long Term Liabilities	26.01	22.51	13.20
Total Liabilities	48.31	45.19	50.02
Net Worth	51.69	54.81	49.98
Total Liabilities And Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	15.15%	10.40%	33.17%
Active Owner's Return	28.67%	17.77%	50.20%
Current Asset Ratio	3.50x	3.06x	2.02x
Quick Asset Ratio	.87x	.97x	.95x
Total Debt to Tangible Net Worth	93.48%	82.46%	100.12%
Stock Turn Times	2.42x	3.53x	4.98x
Sales to Inventory Ratio	3.71x	4.92x	7.11x
Average Inventory per Sq. Ft. Sales Area	$26.77	$60.93	$76.20
Net Sales to Accounts Receivable	20.63x	14.70x	10.83x
Net Sales to Total Assets	2.14x	2.32x	2.80x
Net Sales to Net Worth	4.14x	4.23x	5.60x
Net Sales to Net Working Capital	3.85x	4.97x	7.45x
Other Operating Data			
Credit Sales -- % of Total Gross Sales	37.39%	57.28%	35.12%
Consumer Sales — % of Total Gross Sales	74.79%	63.97%	53.34%
Selling Area — Square Feet	12,634	12,377	17,635
Sales Per Square Foot — Selling Area	$66.38	$134.11	$315.03
Total Area — Square Feet	19,095	24,019	42,551
Sales Per Square Foot — Total Area	$40.00	$63.66	$123.82
Sales Per Person Employed	$66,944	$100,009	$119,966
Sales Per Customer	$8.71	$25.87	$41.02

Sales Floor Size

Income Statement Data	Sales Area Under 10,000 Sq. Ft.	10,000 Sq. Ft. To 19,999 Sq. Ft.	Sales Area 20,000 Sq. Ft. Or More
Number of Stores	63	164	26
Net Sales Volume	$2,021,837	$2,335,460	$6,009,958
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+3.45%	+4.19%	- .08%
Gross Sales	101.75%	102.08%	104.74%
Less: Total Deductions	1.75	2.08	4.74
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	71.09	72.16	66.41
Margin Before Purchase Rebate or Patronage Dividend	28.91	27.84	33.59
Purchase Rebate or Patronage Dividend	.40	.20	.94
Margin After Purchase Rebate Or Patronage Dividend	29.31	28.04	34.53
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.51	2.58	2.17
Salaries — Other Employees	11.20	9.74	10.75
Federal and State Payroll Taxes	1.11	1.25	1.03
Group Insurance	.54	.40	.74
Benefit Plans	.71	.52	1.47
Total Payroll and Other Employee Expense	16.07	14.49	16.16
Occupancy Expense			
Heat, Light, Power, Water	.60	.71	.66
Building Repairs and Maintenance	.21	.19	.09
Rent or Ownership in Real Estate**	2.21	2.07	1.40
Total Occupancy Expense	3.02	2.97	2.15
Other Costs of Doing Business			
Office Supplies and Postage	.56	.37	.50
Advertising and Promotion	1.49	2.16	1.81
Donations	.06	.06	.03
Telephone and Telegraph	.35	.24	.23
Bad Debts	.35	.47	.15
Credit Card Expense (Bank Charges)	.08	.10	.36
Delivery (Other Than Wages)	.65	.51	.56
Leasing Expenses (Non-Occupancy)	.17	.23	.48
Insurance (Other Than Real Estate and Group)	.54	.35	.27
Taxes (Other Than Real Estate and Payroll)	.30	.36	.10
Interest (Other Than Real Estate)	1.27	1.69	.57
Depreciation (Other Than Real Estate)	.80	.59	.56
Store and Shop Supplies	.38	.20	.18
Legal and Accounting	.25	.28	.13
Computer Services and Expenses (Other Than Wages)	.15	.09	.15
Dues and Subscriptions	.06	.05	.03
Travel, Buying, Entertainment	.21	.21	.25
Miscellaneous Services (Laundry, Disposal, etc.)	.04	.08	.34
Unclassified Expenses	1.19	1.23	.65
Total Other Costs of Doing Business	8.90	9.27	7.35
Total Operating Expenses	27.99	26.73	25.66
Operating Profit or Loss	1.32	1.31	8.87
Other Income	1.10	1.53	.75
Net Operating Profit or Loss (Before Income Taxes)	2.42	2.84	9.62

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Sales Floor Size

Balance Sheet Data	Sales Area Under 10,000 Sq. Ft.	10,000 Sq. Ft. To 19,999 Sq. Ft.	Sales Area 20,000 Sq. Ft. Or More
Total Dollar Assets	$831,188	$920,489	$2,283,236
		% of Total Assets	
Assets			
Cash On Hand and In Bank	3.35	3.46	3.44
Notes and Installment Contracts Receivable	1.85	1.01	2.43
Accounts Receivable	17.75	20.92	21.49
Merchandise Inventory (End of Year)	45.73	45.50	38.93
Other Current Assets	3.45	2.96	1.64
Total Current Assets	72.13	73.85	67.93
Stocks and Bonds	1.68	1.84	1.21
Real Estate (Not Used in Bus.)	.41	.70	.88
Other Investments	5.75	7.15	3.06
Total Investments	7.84	9.69	5.15
Land (Owned and Used in Bus.)	1.57	2.54	6.14
Buildings (Owned and Used in Bus. Less Depre.)	8.26	6.71	8.58
Leasehold Improvements (Less Depre.)	1.78	1.18	3.43
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	4.72	3.33	5.28
Delivery Equipment (Owned and Used in Bus. Less Depre.)	1.82	1.31	1.31
Other Fixed Assets	1.88	1.39	2.18
Total Fixed Assets	20.03	16.46	26.92
Total Assets	100.00%	100.00%	100.00%
Liabilities And Net Worth			
Accounts Payable	11.77	13.89	13.27
Current Portion of Notes Payable	11.13	5.43	3.04
Accrued Payroll Taxes	.38	.61	.12
Accrued Other Taxes	.81	1.45	10.28
Other Accrued Expenses	2.47	1.66	7.29
Other Current Liabilities	5.23	3.01	1.64
Total Current Liabilities	31.79	26.05	35.64
Notes Due Partners/Officers	1.13	2.95	.79
Mortgage Payable	3.30	1.84	2.57
Long Term Debt	12.28	16.60	7.04
Other Long Term Liabilities	1.13	.11	.02
Total Long Term Liabilities	17.84	21.50	10.42
Total Liabilities	49.63	47.55	46.06
Net Worth	50.37	52.45	53.94
Total Liabilities And Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	11.71%	13.73%	46.93%
Active Owner's Return	23.83%	26.23%	57.54%
Current Asset Ratio	2.27x	2.84x	1.91x
Quick Asset Ratio	.83x	1.09x	.81x
Total Debt to Tangible Net Worth	98.54%	90.67%	85.36%
Stock Turn Times	3.79x	4.03x	4.53x
Sales to Inventory Ratio	5.33x	5.59x	6.83x
Average Inventory per Sq. Ft. Sales Area	$76.18	$77.01	$35.79
Net Sales to Accounts Receivable	13.71x	12.13x	12.25x
Net Sales to Total Assets	2.43x	2.54x	2.63x
Net Sales to Net Worth	4.83x	4.84x	4.88x
Net Sales to Net Working Capital	6.03x	5.31x	8.15x
Other Operating Data			
Credit Sales — % of Total Gross Sales	64.02%	45.18%	22.03%
Consumer Sales — % of Total Gross Sales	61.46%	61.99%	65.40%
Selling Area — Square Feet	8,661	12,490	33,867
Sales Per Square Foot — Selling Area	$246.06	$220.24	$121.10
Total Area — Square Feet	28,560	22,702	60,232
Sales Per Square Foot — Total Area	$84.72	$87.70	$79.23
Sales Per Person Employed	$94,958	$115,619	$101,467
Sales Per Customer	$32.71	$25.96	$39.87

Type of Origin

Income Statement Data	Originally Hardware Store	Originally Lumber/ Building Materials Outlet	Organized As A Home Center
Number of Stores	60	169	9
Net Sales Volume	$1,859,794	$3,016,543	$2,197,160
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+5.61%	+2.88%	+6.14%
Gross Sales	101.28%	102.87%	101.82%
Less: Total Deductions	1.28	2.87	1.82
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	66.14	71.60	68.92
Margin Before Purchase Rebate or Patronage Dividend	33.86	28.40	31.08
Purchase Rebate or Patronage Dividend	.64	.37	.64
Margin After Purchase Rebate or Patronage Dividend	34.50	28.77	31.72
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.91	2.35	3.40
Salaries/Wages — Other Employees	12.22	9.92	8.30
Federal and State Payroll Taxes	1.06	1.14	2.74
Group Insurance	.49	.52	.47
Benefit Plans	.58	.84	1.37
Total Payroll and Other Employee Expense	17.26	14.77	16.28
Occupancy Expense			
Heat, Light, Power, Water	.97	.59	.82
Building Repairs and Maintenance	.11	.19	.17
Rent or Ownership in Real Estate**	3.42	1.58	2.28
Total Occupancy Expense	4.50	2.36	3.27
Other Costs of Doing Business			
Advertising and Promotion	2.46	1.84	1.74
Insurance (Other Than Real Estate or Group)	.47	.34	.53
Taxes (Other Than Real Estate or Payroll)	.38	.29	.40
Interest (Other Than Real Estate)	.68	1.51	1.51
Depreciation (Other Than Real Estate)	.70	.58	1.17
All Other Expenses	4.03	4.14	3.68
Total Other Costs of Doing Business	8.72	8.70	9.03
Total Operating Expenses	30.48	25.83	28.58
Operating Profit or Loss	4.02	2.94	3.14
Other Income	.83	1.44	.36
Net Operating Profit or Loss (Before Income Taxes)	4.85	4.38	3.50
Financial Performance			
Profit on Investment	18.07%	22.31%	18.66%
Active Owner's Return	28.93%	34.32%	36.73%
Current Asset Ratio	3.07x	2.33x	2.18x
Quick Asset Ratio	.80x	.98x	.84x
Total Debt to Tangible Net Worth	56.74%	99.93%	116.95%
Stock Turn Times	3.16x	4.32x	4.51x
Sales to Inventory Ratio	4.77x	6.04x	6.55x
Average Inventory per Sq. Ft. Sales Area	$44.10	$78.48	$25.35
Net Sales to Accounts Receivable	24.43x	10.92x	17.33x
Net Sales to Total Assets	2.38x	2.55x	2.45x
Net Sales to Net Worth	3.73x	5.10x	5.32x
Net Sales to Net Working Capital	5.17x	6.09x	7.35x
Other Operating Data			
Credit Sales — % of Total Gross Sales	29.34%	43.01%	29.66%
Consumer Sales — % of Total Gross Sales	71.98%	57.65%	69.89%
Selling Area — Square Feet	14,324	13,691	13,688
Sales Per Square Foot — Selling Area	$130.75	$227.26	$166.86
Total Area — Square Feet	22,745	30,776	21,750
Sales Per Square Foot — Total Area	$79.58	$85.82	$101.02
Sales Per Person Employed	$81,342	$119,709	$79,308
Sales Per Customer	$11.48	$45.44	$17.89

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Trade Area Size

Income Statement Data	Metropolitan Statistical Areas	Cities 10,000 To 50,000 Pop.	Towns Under 10,000 Pop.
Number of Stores	100	77	79
Net Sales Volume	$2,256,246	$3,425,951	$2,333,401
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+ .73%	+2.72%	+7.99%
Gross Sales	101.54%	103.49%	102.71%
Less: Total Deductions	1.54	3.49	2.71
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	70.69	68.59	73.72
Margin Before Purchase Rebate or Patronage Dividend	29.31	31.41	26.28
Purchase Rebate or Patronage Dividend	.27	.67	.19
Margin After Purchase Rebate or Patronage Dividend	29.58	32.08	26.47
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.05	2.70	2.65
Salaries/Wages — Other Employees	11.16	10.37	8.83
Federal and State Payroll Taxes	1.12	1.24	1.12
Group Insurance	.30	.73	.43
Benefit Plans	.66	1.00	.62
Total Payroll and Other Employee Expense	15.29	16.04	13.65
Occupancy Expense			
Heat, Light, Power, Water	.78	.62	.62
Building Repairs and Maintenance	.14	.18	.20
Rent or Ownership in Real Estate**	2.00	1.85	2.01
Total Occupancy Expense	2.92	2.65	2.83
Other Costs of Doing Business			
Advertising and Promotion	2.16	1.76	1.90
Insurance (Other Than Real Estate or Group)	.40	.29	.46
Taxes (Other Than Real Estate or Payroll)	.44	.15	.35
Interest (Other Than Real Estate)	2.14	.94	.92
Depreciation (Other Than Real Estate)	.52	.66	.67
All Other Expenses	4.54	4.14	3.81
Total Other Costs of Doing Business	10.20	7.94	8.11
Total Operating Expenses	28.41	26.63	24.59
Operating Profit or Loss	1.17	5.45	1.88
Other Income	1.35	1.00	1.55
Net Operating Profit or Loss (Before Income Taxes)	2.52	6.45	3.43
Financial Performance			
Profit on Investment	11.11%	33.67%	16.99%
Active Owner's Return	20.15%	47.75%	30.12%
Current Asset Ratio	2.85x	2.09x	2.56x
Quick Asset Ratio	1.00x	.89x	1.00x
Total Debt to Tangible Net Worth	83.59%	93.08%	97.81%
Stock Turn Times	3.61x	4.58x	4.16x
Sales to Inventory Ratio	5.11x	6.68x	5.65x
Average Inventory per Sq. Ft. Sales Area	$98.79	$58.85	$43.62
Net Sales to Accounts Receivable	12.85x	11.31x	14.03x
Net Sales to Total Assets	2.40x	2.70x	2.50x
Net Sales to Net Worth	4.41x	5.22x	4.95x
Net Sales to Net Working Capital	5.08x	7.27x	5.68x
Other Operating Data			
Credit Sales — % of Total Gross Sales	55.16%	40.23%	35.50%
Consumer Sales — % of Total Gross Sales	63.91%	57.75%	64.51%
Selling Area — Square Feet	12,492	14,201	14,915
Sales Per Square Foot — Selling Area	$230.30	$220.24	$137.97
Total Area — Square Feet	20,118	41,125	25,952
Sales Per Square Foot — Total Area	$109.50	$80.12	$74.19
Sales Per Person Employed	$105,567	$105,411	$114,726
Sales Per Customer	$25.34	$32.28	$31.86

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Store Location: Part I

Income Statement Data	Downtown	Suburban	Rural
Number of Stores	38	144	69
Net Sales Volume	$1,943,528	$3,226,023	$1,722,174
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+5.51%	+3.78%	+ .82%
Gross Sales	101.76%	102.76%	102.73%
Less: Total Deductions	1.76	2.76	2.73
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	72.37	69.24	74.65
Margin Before Purchase Rebate or Patronage Dividend	27.63	30.76	25.35
Purchase Rebate or Patronage Dividend	.40	.51	.05
Margin After Purchase Rebate or Patronage Dividend	28.03	31.27	25.40
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	3.21	2.66	1.16
Salaries/Wages — Other Employees	9.52	10.57	9.47
Federal and State Payroll Taxes	.92	1.20	1.23
Group Insurance	.71	.56	.20
Benefit Plans	.40	.95	.40
Total Payroll and Other Employee Expense	14.76	15.94	12.46
Occupancy Expense			
Heat, Light, Power, Water	.55	.66	.82
Building Repairs and Maintenance	.17	.18	.16
Rent or Ownership in Real Estate**	2.22	2.10	1.25
Total Occupancy Expense	2.94	2.94	2.23
Other Costs of Doing Business			
Advertising and Promotion	1.08	2.13	1.73
Insurance (Other Than Real Estate or Group)	.46	.39	.18
Taxes (Other Than Real Estate or Payroll)	.49	.22	.46
Interest (Other Than Real Estate)	1.46	.73	3.75
Depreciation (Other Than Real Estate)	.71	.63	.55
All Other Expenses	4.80	4.12	4.13
Total Other Costs of Doing Business	9.00	8.22	10.80
Total Operating Expenses	26.70	27.10	25.49
Operating Profit or Loss	1.33	4.17	- .09
Other Income	1.87	1.04	1.82
Net Operating Profit or Loss (Before Income Taxes)	3.20	5.21	1.73
Financial Performance			
Profit on Investment	15.42%	26.11%	7.24%
Active Owner's Return	30.90%	39.44%	12.13%
Current Asset Ratio	2.42x	2.19x	4.09x
Quick Asset Ratio	1.02x	.88x	1.33x
Total Debt to Tangible Net Worth	111.48%	87.13%	91.06%
Stock Turn Times	4.02x	4.30x	3.43x
Sales to Inventory Ratio	5.56x	6.21x	4.59x
Average Inventory per Sq. Ft. Sales Area	$35.25	$69.34	$74.30
Net Sales to Accounts Receivable	9.83x	13.07x	12.09x
Net Sales to Total Assets	2.28x	2.68x	2.20x
Net Sales to Net Worth	4.82x	5.01x	4.21x
Net Sales to Net Working Capital	5.32x	6.85x	4.10x
Other Operating Data			
Credit Sales — % of Total Gross Sales	64.46%	37.79%	53.75%
Consumer Sales — % of Total Gross Sales	55.11%	63.09%	64.05%
Selling Area — Square Feet	11,678	14,511	13,331
Sales Per Square Foot — Selling Area	$165.59	$224.06	$102.52
Total Area — Square Feet	29,408	31,308	20,700
Sales Per Square Foot — Total Area	$76.40	$102.88	$34.82
Sales Per Person Employed	$106,887	$106,055	$116,315
Sales Per Customer	$37.21	$25.67	$56.81

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Store Location: Part II

Income Statement Data	Shopping Centers	Free-Standing No Stores Adjacent	Free-Standing Stores Nearby
Number of Stores	29	70	99
Net Sales Volume	$1,444,420	$3,664,105	$2,729,068
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+8.87%	+6.53%	+2.39%
Gross Sales	100.71%	103.25%	102.71%
Less: Total Deductions	.71	3.25	2.71
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	65.06	69.10	71.64
Margin Before Purchase Rebate or Patronage Dividend	34.94	30.90	28.36
Purchase Rebate or Patronage Dividend	.62	.65	.30
Margin After Purchase Rebate or Patronage Dividend	35.56	31.55	28.66
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	3.07	2.16	3.57
Salaries/Wages — Other Employees	12.20	10.66	9.35
Federal and State Payroll Taxes	1.31	1.27	1.03
Group Insurance	.51	.69	.42
Benefit Plans	.98	1.04	.65
Total Payroll and Other Employee Expense	18.07	15.82	15.02
Occupancy Expense			
Heat, Light, Power, Water	1.24	.53	.64
Building Repairs and Maintenance	.11	.19	.18
Rent or Ownership in Real Estate**	3.87	1.50	2.22
Total Occupancy Expense	5.22	2.22	3.04
Other Costs of Doing Business			
Advertising and Promotion	2.41	1.66	2.03
Insurance (Other Than Real Estate and Group)	.64	.37	.44
Taxes (Other Than Real Estate and Payroll)	.36	.19	.33
Interest (Other Than Real Estate)	1.21	.76	1.00
Depreciation (Other Than Real Estate)	.88	.67	.57
All Other Expenses	3.89	3.88	4.66
Total Other Costs of Doing Business	9.39	7.53	9.03
Total Operating Expenses	32.68	25.57	27.09
Operating Profit or Loss	2.88	5.98	1.57
Other Income	.93	1.02	1.39
Net Operating Profit or Loss (Before Income Taxes)	3.81	7.00	2.96
Financial Performance			
Profit on Investment	17.85%	36.50%	14.70%
Active Owner's Return	32.22%	47.75%	32.47%
Current Asset Ratio	2.44x	2.04x	2.39x
Quick Asset Ratio	.63x	.88x	.98x
Total Debt to Tangible Net Worth	91.64%	105.49%	88.56%
Stock Turn Times	3.23x	4.26x	4.43x
Sales to Inventory Ratio	4.97x	6.16x	6.19x
Average Inventory per Sq. Ft. Sales Area	$44.05	$56.02	$50.64
Net Sales to Accounts Receivable	29.65x	10.00x	13.54x
Net Sales to Total Assets	2.44x	2.54x	2.64x
Net Sales to Net Worth	4.68x	5.21x	4.98x
Net Sales to Net Working Capital	6.18x	6.80x	6.29x
Other Operating Data			
Credit Sales — % Total Gross Sales	17.47%	32.52%	49.46%
Consumer Sales — % of Total Gross Sales	78.96%	53.69%	60.94%
Selling Area — Square Feet	12,880	14,470	14,802
Sales Per Square Foot — Selling Area	$127.76	$226.05	$172.76
Total Area — Square Feet	17,165	41,933	31,552
Sales Per Square Foot — Total Area	$91.61	$78.75	$90.43
Sales Per Person Employed	$71,985	$108,708	$111,477
Sales Per Customer	$9.58	$42.12	$29.02

*As reported to us by The Bottom Line contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Number of Stores

Income Statement Data	Single Store Business	2 To 4 Stores	5 To 10 Stores	11 Stores Or More
Number of Stores	105	48	31	72
Net Sales Volume	$2,611,517	$4,144,350	$1,906,278	$1,965,677
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+4.41%	+2.15%	- .30%	+4.65%
Gross Sales	102.17%	103.43%	100.25%	103.35%
Less: Total Deductions	2.17	3.43	.25	3.35
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	70.46	68.92	68.81	74.44
Margin Before Purchase Rebate or Patronage Dividend	29.54	31.08	31.19	25.56
Purchase Rebate or Patronage Dividend	.40	.61	.34	.15
Margin After Purchase Rebate or Patronage Dividend	29.94	31.69	31.53	25.71
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	3.35	2.34	1.29	1.43
Salaries/Wages — Other Employees	10.53	9.94	13.26	8.71
Federal and State Payroll Taxes	1.15	1.11	1.21	1.27
Group Insurance	.46	.71	.60	.26
Benefit Plans	.75	1.23	.44	.37
Total Payroll and Other Employee Expense	16.24	15.33	16.80	12.04
Occupancy Expense				
Heat, Light, Power, Water	.61	.55	1.04	.83
Building Repairs and Maintenance	.15	.18	.21	.18
Rent or Ownership in Real Estate**	2.27	1.46	3.40	1.39
Total Occupancy Expense	3.03	2.19	4.65	2.40
Other Costs of Doing Business				
Advertising and Promotion	1.75	1.48	2.75	2.58
Insurance (Other Than Real Estate or Group)	.60	.23	.44	.09
Taxes (Other Than Real Estate or Payroll)	.44	.07	.13	.41
Interest (Other Than Real Estate)	.87	.83	.95	3.11
Depreciation (Other Than Real Estate)	.71	.63	.56	.43
All Other Expenses	4.11	4.22	4.24	4.26
Total Other Costs of Doing Business	8.48	7.46	9.07	10.88
Total Operating Expenses	27.75	24.98	30.52	25.32
Operating Profit or Loss	2.19	6.71	1.01	.39
Other Income	1.40	.86	.70	1.82
Net Operating Profit or Loss (Before Income Taxes)	3.59	7.57	1.71	2.21
Financial Performance				
Profit on Investment	16.63%	38.78%	8.24%	10.90%
Active Owner's Return	32.16%	50.79%	14.42%	17.96%
Current Asset Ratio	2.38x	2.09x	2.67x	3.25x
Quick Asset Ratio	1.02x	.82x	.57x	1.22x
Total Debt to Tangible Net Worth	94.56%	83.17%	68.94%	103.02%
Stock Turn Times	4.22x	4.33x	3.06x	4.13x
Sales to Inventory Ratio	5.99x	6.28x	4.45x	5.55x
Average Inventory Per Sq. Ft. Sales Area	$30.26	$118.49	$213.73	$674.54
Net Sales to Accounts Receivable	11.02x	11.63x	23.15x	14.93x
Net Sales to Total Assets	2.38x	2.80x	2.84x	2.43x
Net Sales to Net Worth	4.63x	5.12x	4.80x	4.94x
Net Sales to Net Working Capital	5.80x	7.30x	5.66x	5.03x
Other Operating Data				
Credit Sales — % of Total Gross Sales	52.29%	36.47%	51.60%	33.70%
Consumer Sales — % of Total Gross Sales	56.62%	55.86%	76.10%	67.97%
Selling Area — Square Feet	14,570	15,213	12,906	11,947
Sales per Square Foot — Selling Area	$180.09	$255.35	$155.83	$178.05
Total Area — Square Feet	31,614	41,211	19,331	18,707
Sales per Square Foot — Total Area	$81.58	$95.82	$101.02	$87.02
Sales per Person Employed	$107,654	$104,534	$88,333	$125,358
Sales per Customer	$25.23	$46.87	$9.59	$46.62

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Store Orientation

Income Statement Data	Contractor Oriented	Consumer Oriented
Number of Stores	58	188
Net Sales Volume	$3,463,083	$2,418,979
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+1.11%	+4.87%
Gross Sales	101.37%	$103.26%
Less: Total Deductions	1.37	3.26
Net Sales	100.00%	100.00%
Cost of Goods Sold	72.26	69.83
Margin Before Purchase Rebate or Patronage Dividend	27.74	30.17
Purchase Rebate or Patronage Dividend	.19	.51
Margin After Purchase Rebate or Patronage Dividend	27.93	30.68
Payroll and Other Employee Expense		
Salaries — Owners/Officers/Managers	3.32	2.09
Salaries/Wages — Other Employees	9.96	10.40
Federal and State Payroll Taxes	1.28	1.12
Group Insurance	.55	.49
Benefit Plans	.70	.82
Total Payroll and Other Employee Expense	15.81	14.92
Occupancy Expense		
Heat, Light, Power, Water	.46	.77
Building Repairs and Maintenance	.24	.15
Rent or Ownership in Real Estate**	2.07	1.83
Total Occupancy Expense	2.77	2.75
Other Costs of Doing Business		
Advertising and Promotion	1.34	2.19
Insurance (Other Than Real Estate or Group)	.44	.34
Taxes (Other Than Real Estate or Payroll)	.28	.30
Interest (Other Than Real Estate)	1.04	1.49
Depreciation (Other Than Real Estate)	.70	.59
All Other Expenses	4.43	4.13
Total Other Costs of Doing Business	8.23	9.04
Total Operating Expenses	26.81	26.71
Operating Profit or Loss	1.12	3.97
Other Income	1.57	1.13
Net Operating Profit or Loss (Before Income Taxes)	2.69	5.10
Financial Performance		
Profit on Investment	13.05%	24.58%
Active Owner's Return	29.18%	34.65%
Current Asset Ratio	2.52x	2.41x
Quick Asset Ratio	1.07x	.91x
Total Debt to Tangible Net Worth	88.67%	91.95%
Stock Turn Times	4.31x	4.00x
Sales to Inventory Ratio	5.97x	5.73x
Average Inventory Per Sq. Ft. Sales Area	$57.48	$66.77
Net Sales to Accounts Receivable	9.98x	13.62x
Net Sales to Total Assets	2.58x	2.51x
Net Sales to Net Worth	4.86x	4.82x
Net Sales to Net Working Capital	5.67x	6.06x
Other Operating Data		
Credit Sales — % of Total Gross Sales	67.70%	30.04%
Consumer Sales — % of Total Gross Sales	32.43%	71.46%
Selling Area — Square Feet	12,965	14,098
Sales per Square Foot — Selling Area	$266.44	$155.90
Total Area — Square Feet	45,106	23,575
Sales per Square Foot — Total Area	$77.51	$91.35
Sales per Person Employed	$117,986	$103,899
Sales per Customer	$50.22	$26.59

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Departmental Sales

Many Bottom Line contributors provided detailed information on sales, margins, inventory and space occupied by major departments found in home centers.

Departmental Contributions
Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory and sales per square foot of selling area.

These data are for **Handling Firms Only.** All outlets participating in the survey that do not carry a particular department were not included in the computation of the average data for that department. To help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden Department in The Bottom Line Report shows 90.0% of the reporting stores have a Lawn and Garden Department. The data shown for the Lawn and Garden Department are only for the 90.0% of the stores who carry Lawn and Garden Equipment. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the average of other home centers which also carry that department.

The Bottom Line also presents an **Average Outlet Profile.** This profile shows data for outlets handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of an outlet that does not carry all the major departments? How can the relationships of only carried departments be compared to an industry average? The necessary data are contained in the Report — only a simple computation is required.

First, for each department carried, add the industry average percent of Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Store Profile** for an outlet carrying only these departments.

As an example, a home center carries only four departments — Hardware, Hand Tools, Paint and Home Decorating and Building Materials.

Assume The Bottom Line indicates percent of Net Sales for handling firms for each department to be:

Hardware	15.0%
Hand Tools	10.0%
Paint & Home Decorating	20.0%
Building Materials	50.0%

The total of these percents equals 95.0. Now divide the total (95.0%) into each of the individual department's percent:

Hardware	$\frac{15.0}{95.0}$	=	15.8%
Hand Tools	$\frac{10.0}{95.0}$	=	10.5%
Paint & Home Decorating	$\frac{20.0}{95.0}$	=	21.1%
Building Materials	$\frac{50.0}{95.0}$	=	52.6%

The resulting percentages' total should equal 100.0% and are the **Average Store Profile** for an outlet handling only Hardware, Hand Tools, Paint and Home Decorating, and Building Materials. This same procedure can be followed to determine the Average Store Profile for the percent of sales floor space and inventory.

Productivity
There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The tables presented on the following page examine these departmental evaluation criteria.

An excellent way for home center operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover and is computed by taking the margin percentage times the sales to inventory ratio (net sales divided by average inventory at cost.) GMROI is expressed as an index. Lawn and Garden's GMROI, for example, is 1.57 which means $1.57 in margin is returned for each $1.00 invested in lawn and garden inventory. Resultant GMROI figures give home center operators a way to measure departmental performance across diverse merchandise lines. Traditionally high margin, low turnover departments may be compared with traditional low margin, high turnover departments.

An additional evaluative measure shown on the next page is sales per square foot of selling area. Individual home center operators may utilize other evaluations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

Departmental Contribution

Department	Handling Firms Only: % Handling	% of Net Sales	% of Sales Floor*	% of Inventory	$ Sales Per Sq. Ft. Sales Area	Average Home Center Profile: % of Net Sales	% of Sales Floor*	% of Inventory
Hardware	100.0	9.1	11.0	9.1	130.67	9.1	11.0	9.1
Hand Tools	100.0	3.0	6.2	3.0	114.88	3.0	6.2	3.0
Power Tools & Accessories	100.0	2.4	4.2	3.0	145.08	2.4	4.2	3.0
Plumbing, Heating and Cooling	100.0	6.6	7.0	7.5	130.72	6.6	7.0	7.5
Electrical Supplies	100.0	4.5	8.4	4.5	121.19	4.5	8.4	4.5
Paint & Home Decorating	100.0	7.3	12.5	7.1	143.42	7.3	12.5	7.1
Lumber	89.3	31.7	13.1	31.1	389.12	27.7	10.5	27.9
Building Materials	98.3	28.0	25.2	26.8	225.61	26.8	21.7	25.8
Lawn & Garden	91.0	5.7	8.6	5.3	125.27	5.0	7.3	4.8
Housewares	65.5	3.4	4.2	3.5	71.48	1.3	2.5	1.0
Automotive Supplies	33.3	2.8	3.7	1.9	110.64	.9	.8	.4
Major Appliances & Home Entertainment	16.4	2.8	7.1	4.1	130.01	.5	.6	.5
Sporting Goods & Outdoor Living	24.3	3.3	4.8	6.8	112.03	.8	.7	1.4
Miscellaneous Goods	81.9	5.2	8.5	4.9	102.85	4.1	6.6	4.0
						100.0	100.0	100.0

*Includes inside sales area only.

Productivity

Department	Gross Margin %	Sales To Inventory Ratio X	Gross Margin Return On Inventory (GMROI) $
Hardware	40.2	4.7	1.88
Hand Tools	35.9	5.8	2.06
Power Tools & Accessories	30.3	4.2	1.28
Plumbing, Heating & Cooling	36.9	5.1	1.88
Electrical Supplies	37.3	5.0	1.87
Paint & Home Decorating	33.9	6.1	2.06
Lumber	25.0	6.9	1.72
Building Materials	26.2	6.6	1.74
Lawn & Garden	31.3	5.0	1.57
Housewares	32.8	3.9	1.28
Automotive Supplies	32.3	4.5	1.44
Major Appliances & Home Entertainment	17.4	3.8	.67
Sporting Goods & Outdoor Living	33.0	3.7	1.21
Miscellaneous Goods	17.9	4.8	.86

APPENDIX

Definition of Terms

Income Statement Data

The Income Statement presents in a single format revenue derived from the sale of merchandise, and expenses incurred to produce these sales. All Financial Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

Net Sales Volume — The dollar amount of cash sales plus credit sales less total deductions.

Total Deductions — Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

Cost of Goods Sold — Inventory First of the Year plus Purchases plus Freight In plus Shop Labor (Non-Employee) minus Inventory End of the Year equals Cost of Goods Sold.

Margin Before Rebate or Dividend — The difference between Net Sales and the Cost of Goods Sold.

Margin After Rebate or Dividend — Net Sales minus the Cost of Goods Sold plus any Purchase Rebate or Patronage Dividend received by the dealer.

Salaries — Owners, Officers, Managers — The compensation including bonuses paid to owners, officers and store managers who work in the business.

Salaries/Wages — Other Employees — The compensation, wages and bonuses paid to all other employees.

Federal and State Payroll Taxes — Federal and State Withholding, Unemployment Compensation and FICA Taxes.

Group Insurance — All premiums paid to insure employees for health and accident protection.

Benefit Plans — The employers' share of cost for employee welfare/benefit plans — life insurance, retirement, education, etc.

Heat, Light, Power and Water — All utility expenses incurred in the operation of the business.

Building Repairs and Maintenance — All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

Leasing Expenses (Non-Occupancy) — All costs involved in leasing furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Office Supplies and Postage — The cost of all materials used for the firm's accounting records.

Rent or Ownership in Real Estate — Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land, and buildings used in the business.

Advertising and Promotion — Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

Donations — All gifts given from the business operation to charity.

Telephone and Telegraph — For expenses incurred in the operation of the business.

Bad Debts — Uncollectable debts.

Delivery Expenses (Other than Wages) — All expenses incurred in the operation of delivery equipment: gas, tires, etc.

Insurance — Premiums paid to insure all assets against fire, theft, etc.

Taxes — All taxes on stock, fixtures, delivery equipment, etc.

Depreciation — All depreciation on furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Credit Card Expense — Bank charges for processing credit card sales.

Interest — The amount of interest paid on borrowed money for all types of notes, loans.

Store and Shop Supplies — The costs of all supplies used in the operation of the store.

Legal and Accounting — The cost incurred for auditing, inventory count, collectors and legal consultation.

Computer Services — Any fees for outside computer services, plus all costs (excluding payroll) for establishing and maintaining a system in-house.

Dues and Subscriptions — Fees for memberships and subscriptions, and expenses for employee training.

Travel, Buying, Entertainment — All expenses incurred in business trips and the entertainment of guests.

Miscellaneous Services — All fees for services such as laundry, garbage disposal, snow removal, etc.

Unclassified — All expenses not classified under other headings.

Net Operating Profit — Return on sales before Other Income and Income Taxes, when expressed as a percent of Net Sales, indicates the percent return on each dollar of sales.

Other Income — Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental and sundry income.

Net Profit (Before Income Tax) — The net return from the operation of the business.

Balance Sheet

The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

Current Assets — Cash; notes receivable in the current year; accounts receivable (less reserve for doubtful accounts); merchandise inventories and other assets with a defined short-term life of one year — all prepaid expenses.

Investments — Assets with a long-term life such as stocks and bonds or real estate which is not needed to operate the business.

Fixed Assets — Assets with a long-term life which are needed to carry out a firm's normal business activities. The Financial Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land, buildings and leasehold improvements are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

Current Liabilities — All debts which are due within one year — accounts payable, current portion of notes payable, accrued payroll and other taxes, insurance, interest, etc.

Long-Term Liabilities — All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

Net Worth — Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

Definition of Ratios

Financial Ratios
The financial position of a firm is determined from a review of its financial statements — the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. These proportions are tested by ratio analysis.

Profit On Investment
—Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.
—Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

Active Owner's Return
—Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.
—Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison between operators with different philosophies regarding salaries and profits.

Current Asset Ratio
—Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times".
—Measures the ability to pay short-term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

Quick Asset Ratio
—Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times".
—Measures the ability to pay Current Debts from Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

Total Debt To Tangible Net Worth
—The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.
—Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

Stock Turn Times
—Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times".
—Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the likelihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadquate stocking. Retail hardware store operators should achieve three turns or more per year.

Sales to Inventory
—Computed by dividing Net Sales by Average Inventory; expressed in "times".
—Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

Average Inventory Per Sq. Ft. of Sales Area
—Computed by dividing Average Inventory by Square Feet of Sales Area; expressed in dollar value of inventory at cost.
—A rough measure of merchandising efficiency.

Net Sales to Accounts Receivable
—Computed by dividing Net Sales by Accounts Receivable; expressed in "times".
—Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

Net Sales to Total Assets
—Computed by dividing Net Sales by Total Assets; expressed in "times".
—Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

Net Sales to Net Worth
—Computed by dividing Net Sales by Tangible Net Worth; expressed in "times".
—Measures the extent to which sales are supported by invested capital.

Net Sales to Working Capital
—Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times".
—Measures the demand on working capital to support the sales volume. A high ratio may limit the firm's ability to meet day to day debts.

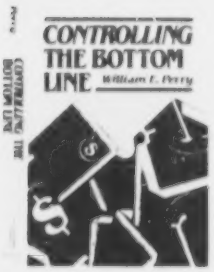
Sales Per Sq. Ft. — Selling Area
—Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.
—Measures sales productivity.

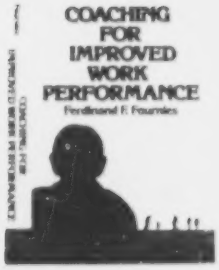
Sales Per Sq. Ft. — Total Area
—Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.
—Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

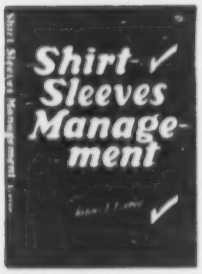
Sales Per Person Employed
—Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.
—Measures the efficiency of personnel in producing sales and is the most useful when compared to past performance.

Sales Per Customer
—Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.
—Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

Gross Margin Return on Inventory — (GMROI)
—Computed by taking gross margin percentage times sales to inventory ratio.
—Considers both margin and turnover.
—Example: A GMROI of 1.50 means $1.50 in margin is returned for each $1.00 invested in inventory.







motivate management and sharpen selling skills

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THE 1986 PROFIT REPORT

For DIY Lumberyards

National Retail Hardware Association
Comprised of twenty-one regional and state hardware associations and Canada

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August 31, 1986

To Retailers Serving Do-It-Yourself Consumers:

In recent years the Do-It-Yourself industry has experienced a proliferation of store units unparalleled in the history of hard goods retailing.

Today's competitive arena demands a higher degree of management skill and merchandising expertise of the retailer who plans to hold or expand his share of a growing market.

Nothing is more critical in retail management than an accurate analysis of operating costs, margins, and financial ratios to indicate the relative strengths and weaknesses of an individual retail operation. That is the purpose of this industry-wide compilation of financial operations data. It can be an invaluable tool in your process of analysis and future planning.

Compare your operating results with those reported by hundreds of other retailers to determine those areas which must be strengthened or more strictly controlled to produce the results necessary to permit your business to prosper and grow during this critical period.

If you submitted your financial data for this study, you have received a confidential computer analysis comparing your results to the average of all reporting stores in your category. If not, please plan to supply us with your results next year. All individual store data is strictly confidential.

We are indebted to all retailers who provided input data to make this study possible, and we hope you will use it to improve your future operating results.

Very truly yours,

Richard H. Lambert

RICHARD H. LAMBERT
Managing Director

RHL/tm

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Prepared By:
Marketing Research Department

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Introduction

THE PROFIT REPORT

The 1986 Profit Report presents financial operating data for consumer oriented lumber and building materials retailers. To be included, a lumber/building materials outlet must actively pursue and derive a portion of total sales from the consumer do-it-yourself market. The outlet must have a retail sales floor and carry basic hardlines in addition to lumber/building materials. The Report is designed to fulfill several objectives:

- To assess the financial performance of lumber/building materials operations in 1985
- To provide comparative financial data to enable retailers to measure their performance against industry averages
- To provide a frame of reference for profit planning enabling lumber/building materials retailers to continually improve performance levels.

Additionally, the Report provides an excellent means for manufacturers, wholesalers and other interested parties to gain a better understanding of the retail lumber/building material industry.

Four Major Sections

The Profit Report is divided into four major sections: Historical Trends for 1981 through 1985; The Strategic Profit Model; Average Operating Results for 1985; and Departmental Information. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

Historical Statistics provide income statement and balance sheet ratios for the current year and the four previous Profit Reports. This section also includes statistics on individual departments and monthly sales percentages for a five year period.

The **Strategic Profit Model** combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

Average Operating Results includes data on sales, operating expenses, profits and financial performance. Income statement items are presented as a percentage of net sales and balance sheet items as a percentage of total assets.

Departmental Information is based on the percent of stores handling major departments found in retail lumber/building materials outlets. The percent of net sales, sales floor and inventory are outlined both for handling firms only and for an average outlet. Departmental productivity is compared by calculating the gross margin return on inventory investment for each department.

Type of Outlet

Many factors influence a lumber/building materials outlet's cost of doing business. Therefore, Report data are presented by various store characteristics in order to make meaningful comparisons. Information contained in Average Operating Results is presented for the following store characteristics:

—High and Low Profit
—Sales Volume Size
—Sales Floor Size
—Trade Area Size
—Outlet Location
—Number of Outlets
—Outlet Orientation

Methodology

The Profit Report is made possible only through the cooperation of the retail lumber/building materials men and women who provide detailed information on their operations. Questionnaires were sent to lumber/building materials operators in February, 1986. Two hundred and eighty usable returns were received by June 15, 1986 in time for inclusion in this year's Report.

All survey forms were edited for completeness by NRHA's Marketing Research Staff. Forms were coded for computer processing and all individual firm identification removed. The data was keypunched by a service bureau and then processed by NRHA's data processing department.

As thanks for their participation, each lumber/building materials operator who submitted detailed financial information was provided a personalized computer analysis. This customized analysis compared each contributor's results with averages of all other outlets in the same sales volume, sales floor size and store location categories, as well as with the averages for the entire sample.

One Of A Series

The National Retail Hardware Association publishes detailed Financial Operating Reports for three types of retailers. Studies which are available in addition to the The Profit Report are The Management Report for retail hardware stores and The Bottom Line for home centers.

For Assistance

Assistance and aid in interpreting The 1986 Profit Report may be obtained from your regional Hardware Association or the National Retail Hardware Association.

Historical Trends

Income Statement Data	ALL DIY LUMBER OUTLETS FISCAL YEAR 1985	1984	1983	1982	1981
Net Sales Volume	$2,069,693	$1,680,266	$1,243,862	$1,292,917	$1,371,983
Gross Sales	102.03%	101.87%	102.27%	101.66%	101.52%
Less: Total Deductions	2.03	1.87	2.27	1.66	1.52
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	74.50	74.37	73.99	73.60	74.30
Margin Before Purchase Rebate or Patronage Dividend	25.50	25.63	26.01	26.40	25.70
Purchase Rebate or Patronage Dividend	.14	.14	.16	.13	—
Margin After Purchase Rebate or Patronage Dividend	25.64	25.77	26.17	26.53	25.70
Payroll and Other Employee Expense					
Salaries — Owners/Officers/Managers	2.98	3.84	3.79	4.32	2.79
Salaries/Wages — Other Employees	9.08	8.23	8.89	9.37	10.34
Federal and State Payroll Taxes	.96	1.01	1.00	1.06	.89
Group Insurance	.46	.56	.59	.56	.63
Benefit Plans	.51	.47	.50	.54	.55
Total Payroll and Other Employee Expense	13.99	14.11	14.77	15.85	15.20
Occupancy Expense					
Heat, Light, Power, Water	.40	.45	.43	.57	.39
Building Repairs and Maintenance	.11	.34	.31	.23	.22
Rent or Ownership in Real Estate**	1.83	1.89	2.01	2.24	1.76
Total Occupancy Expense	2.34	2.68	2.75	3.04	2.37
Other Costs of Doing Business					
Advertising and Promotion	.95	.79	1.01	1.13	.97
Insurance (Other than Real Estate or Group)	.60	.48	.49	.62	.54
Taxes (Other than Real Estate and Payroll)	.30	.29	.39	.38	.37
Interest (Other than Real Estate)	.90	1.13	1.11	1.58	1.54
Depreciation (Other than Real Estate)	.70	.67	.71	.69	.57
All Other Expenses	4.48	3.60	3.72	4.26	4.05
Total Other Costs of Doing Business	7.93	6.96	7.43	8.66	8.04
Total Operating Expenses	24.26	23.75	24.95	27.55	25.61
Operating Profit or Loss	1.38	2.02	1.22	-1.02	.09
Other Income	1.81	1.58	1.92	2.21	2.39
Net Operating Profit or Loss (Before Income Taxes)	3.19	3.60	3.14	1.19	2.48
Financial Performance					
Profit on Investment	14.78%	15.99%	13.81%	4.63%	10.29%
Active Owner's Return	28.57%	33.01%	30.51%	21.50%	17.99%
Current Asset Ratio	2.51x	2.62x	2.68x	2.79x	2.98x
Quick Asset Ratio	1.23x	1.27x	1.16x	1.31x	1.36x
Total Debt to Tangible Net Worth	80.57%	83.69%	99.75%	93.27%	80.85%
Stock Turn Times	5.05x	4.56x	3.99x	3.73x	4.27x
Sales to Inventory Ratio	6.77x	6.13x	5.39x	5.07x	5.74x
Average Inventory per Sq. Ft. Sales Area	$93.23	$83.66	$93.64	$100.20	$102.33
Net Sales to Accounts Receivable	9.39x	9.27x	9.84x	9.32x	10.47x
Net Sales to Total Assets	2.56x	2.41x	2.20x	2.02x	2.30x
Net Sales to Net Worth	4.62x	4.44x	4.40x	3.91x	4.15x
Net Sales to Net Working Capital	5.68x	5.03x	4.60x	4.17x	4.63x
Other Operating Data					
Credit Sales — % of Total Gross Sales	69.95%	76.14%	67.60%	65.96%	64.39%
Consumer Sales — % of Total Gross Sales	45.49%	54.36%	55.68%	58.86%	55.44%
Selling Area — Square Feet	4,273	4,208	3,989	4,209	4,430
Sales Per Square Foot — Selling Area	$448.70	$409.61	$311.82	$307.18	$309.70
Total Area — Square Feet	16,321	17,598	18,550	16,788	17,223
Sales Per Square Foot — Total Area	$138.17	$85.39	$67.05	$77.01	$79.66
Sales Per Person Employed	$131,436	$138,073	$110,591	$97,559	$113,042
Sales Per Customer	$87.52	$67.78	$71.45	$64.16	$24.26

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Historical Trends

Department	Percent Of Net Sales**					Sales Per Square Foot				
	1985	1984	1983	1982	1981	1985	1984	1983	1982	1981
Hardware	7.8%	9.6%	9.6%	9.8%	8.4%	$136.03	$138.64	$162.07	$123.38	$141.33
Hand Tools*	2.4	2.0	2.3	1.9	2.9	126.86	143.07	134.79	95.68	125.23
Power Tools & Accessories*	1.5	1.7	1.8	1.3		157.69	144.61	125.14	105.09	
Plumbing, Heating & Cooling	3.8	5.0	4.7	4.6	4.5	156.64	198.75	222.30	138.67	157.18
Electrical Supplies	2.4	3.4	3.0	2.8	3.4	149.06	177.62	176.09	69.08	141.63
Paint & Home Decorating	6.2	5.9	6.3	7.9	6.6	172.86	174.12	168.93	134.53	137.04
Lumber	34.5	32.6	32.5	27.2	30.6	986.83	769.24	796.75	NA	NA
Building Materials	31.4	33.3	32.7	39.7	35.0	719.64	606.85	405.29	454.44	459.24
Lawn & Garden	1.6	1.3	1.5	1.3	1.7	130.32	175.27	173.68	121.01	136.79
Housewares	.4	.6	.4	.3	.3	95.61	92.33	156.68	102.39	130.23
Automotive Supplies	.1	.1	.1	.1	.1	98.13	133.28	112.92	167.22	129.42
Major Appliances & Home Entertainment	.5	1.0	.7	.6	.9	116.51	65.30	112.87	266.53	268.09
Sporting Goods & Outdoor Living	.8	.2	.3	.1	.2	—	97.67	162.96	67.97	92.18
Miscellaneous Goods	6.6	3.3	4.1	2.4	5.4	161.27	173.25	434.53	223.92	242.66

Department	Sales To Inventory Ratio					Gross Margin Return On Investment				
	1985	1984	1983	1982	1981	1985	1984	1983	1982	1981
Hardware	3.8x	3.4x	3.4x	3.6x	4.6x	$1.43	$1.13	$1.12	$1.14	$1.61
Hand Tools*	4.1	4.0	3.6	3.2	5.3	1.44	1.22	1.12	1.01	1.68
Power Tools & Accessories*	4.1	3.8	4.0	3.5		1.28	.94	1.13	1.04	
Plumbing, Heating & Cooling	3.9	4.1	3.6	3.8	5.2	1.32	1.24	.99	1.20	1.72
Electrical Supplies	3.7	5.2	3.3	3.5	5.6	1.32	1.72	1.10	1.07	1.89
Paint & Home Decorating	4.2	4.5	3.8	4.0	4.6	1.45	1.34	1.21	1.33	.79
Lumber	7.3	6.5	6.5	6.2	7.6	1.73	1.56	1.65	1.66	1.85
Building Materials	7.5	7.1	6.1	5.7	6.4	1.98	1.98	1.66	1.56	1.66
Lawn & Garden	4.9	5.0	3.8	3.7	4.4	1.64	1.33	1.14	1.07	1.23
Housewares	3.7	2.3	2.3	3.7	4.8	1.21	.52	.54	1.00	1.03
Automotive Supplies	3.0	2.3	2.1	3.8	4.8	.87	.68	.71	1.17	1.01
Major Appliances & Home Entertainment	4.7	2.6	4.1	3.8	4.0	.96	.69	1.04	.98	.81
Sporting Goods & Outdoor Living	—	2.6	3.9	4.5	5.3	—	.73	.83	.85	1.16
Miscellaneous Goods	6.3	8.0	4.4	4.7	4.7	1.76	2.16	1.25	1.42	1.39

*Hand and power tools were not reported as separate categories in 1981.
**Average DIY Lumber Outlet.

Monthly Sales

Month	1985	1984	1983	1982	1981
January	6.2	6.1	5.7	6.1	5.7
February	5.6	5.8	5.3	5.6	5.6
March	7.0	6.7	6.6	6.9	7.2
April	8.8	8.2	8.0	8.3	8.9
May	9.8	9.9	9.4	9.6	9.2
June	9.4	10.1	10.1	9.4	9.8
July	9.3	9.2	9.4	9.2	9.7
August	9.2	9.1	9.3	9.0	9.3
September	8.5	8.5	8.9	8.9	9.6
October	9.0	8.8	9.1	9.2	9.6
November	8.4	8.5	8.6	8.5	8.0
December	8.8	9.1	9.6	9.3	7.4

Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for lumber/building materials retailers. The Model combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria — Return on Net Worth.

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth; profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

Profit Margin

Sales — Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

Cost of Goods Sold — Improve Gross Margin through variable pricing, efficient buying, etc.

Expenses — Trimming expenses is difficult in view of today's high labor costs, occupancy expense, etc.; however, carefully review each item of expense for areas of cost savings.

Other Income — Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

Asset Turnover

Inventory — Decrease inventory level by carefully reviewing the levels of all items, trimming slow moving items, and eliminating obsolete items.

Accounts Receivable — Review status of accounts; if excessively high without the use of a finance charge, customers are operating on the firm's money.

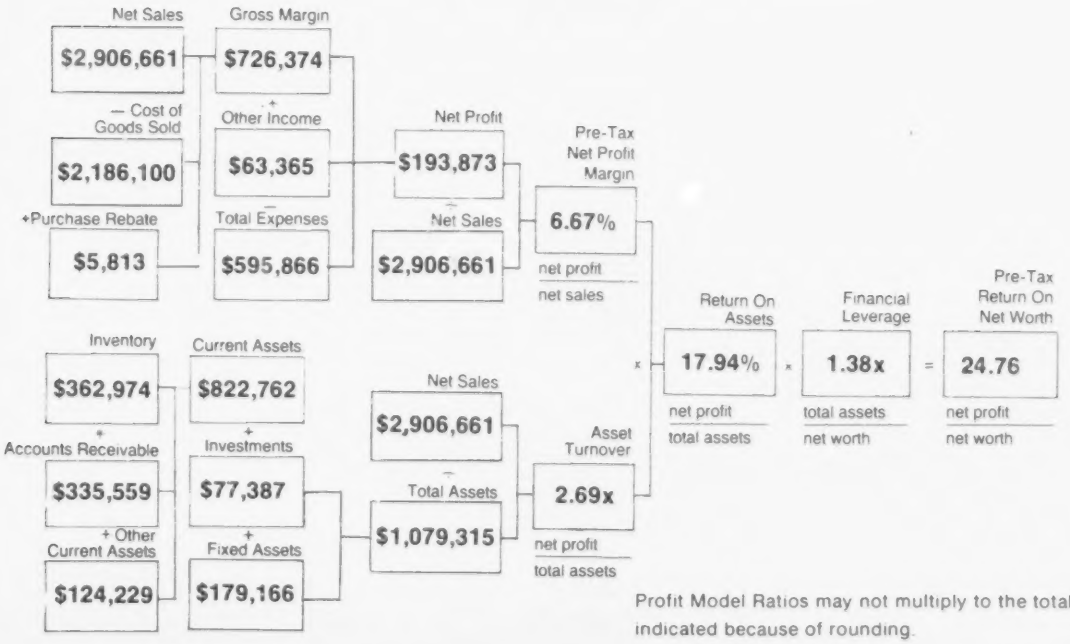
Fixed Assets — Divide Net Sales by Fixed Assets; a substantially lower than average ratio indicates excessive investments resulting in idle capacity.

Leverage

The amount of borrowed funds has a number of major implications: 1) creditors look to owner supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment; and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit Outlets category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

High-Profit Home Outlets



Profit Model Ratios may not multiply to the totals indicated because of rounding.

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Highlights

Type of DIY Lumber Outlet	1985 Net Sales ($)	Sales Increase Over 1984* (%)	Margin (%)	Net Profit On Sales (%)	Net Profit On Investment (%)	Stock Turns x
All DIY Lumber Outlets	2,069,693	+4.80	25.64	3.19	14.78	5.05
Low Profit	1,354,905	-3.05	25.89	-1.02	-5.68	3.58
High Profit	2,906,661	+7.80	24.99	6.67	24.82	6.14
Sales Volume Size						
Under $500,000	390,841	-3.86	28.14	1.61	3.74	2.57
$500,000 to $999,999	761,466	-5.55	27.28	2.62	7.32	3.11
$1,000,000 to $1,999,999	1,417,640	+1.98	25.88	2.29	10.14	4.12
$2,000,000 or more	4,378,696	+7.23	25.29	3.62	19.14	6.11
Sales Floor Size						
Under 3,000 Sq. Ft.	1,459,719	+3.24	25.80	3.75	16.73	6.02
3,000 to 4,999 Sq. Ft.	1,884,257	+2.00	24.91	1.73	10.27	4.78
5,000 Sq. Ft. or more	2,410,608	+7.89	26.22	3.03	15.72	5.16
Trade Area Size						
M.S.A.	2,925,204	+7.82	25.54	3.97	19.81	7.09
Cities-10,000 to 50,000	2,455,743	+7.05	27.37	3.09	15.64	4.66
Towns Under 10,000	1,693,431	+2.71	24.81	2.89	12.30	4.58
Outlet Location: Part I						
Downtown	1,248,415	+5.89	25.81	3.22	12.75	4.40
Suburban	2,781,786	+4.77	25.75	3.33	16.71	5.53
Rural	1,563,719	+2.75	23.99	2.70	11.15	4.20
Outlet Location: Part II						
Shopping Centers	1,571,499	+1.78	24.59	1.30	5.13	3.29
Free-Standing — No Stores Adjacent	2,397,561	+5.68	25.76	3.36	14.90	4.94
Free-Standing — Stores Nearby	1,698,072	+3.87	25.81	2.59	12.86	5.02
Outlet Orientation:						
Consumer-Oriented	2,848,952	+5.17	25.31	3.38	16.76	5.90
Contractor-Oriented	1,167,237	+3.68	26.56	3.12	11.93	3.88

*As reported by The Profit Report contributors

Monthly Sales

	%		%		%
January	6.2	May	9.8	September	8.5
February	5.6	June	9.4	October	9.0
March	7.0	July	9.3	November	8.4
April	8.8	August	9.2	December	8.8